

any written comments received by SCCP or Philadep.

III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which SCCP and Philadep consent, the Commission will:

- (a) By order approve such proposed rule changes or
- (b) Institute proceedings to determine whether the proposed rule changes should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal offices of SCCP and Philadep. All submissions should refer to the file numbers SR-SCCP-95-04 or SR-Philadep-95-06 and should be submitted by December 29, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-29153 Filed 11-28-95; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 21539; 812-9688]

SEI Institutional Managed Trust, et al.; Notice of Application

November 22, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 (the "Act").

APPLICANTS: SEI Asset Allocation Trust (the "Trust"); SEI Institutional Managed Trust, SEI Liquid Asset Trust, SEI International Trust (collectively, the "Underlying Funds"); SEI Financial Management Corporation ("SEI Management"); and SEI Financial Services Company ("SEI Financial").

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act from section 12(d)(1) of the Act, under sections 6(c) and 17(b) of the Act from section 17(a) of the Act, and pursuant to section 17(d) of the Act and rule 17d-1 thereunder.

SUMMARY OF APPLICATION: Applicants request an order that would permit the Trust to operate as a "fund of funds" and to acquire up to 100% of the voting shares of any acquired fund.

FILING DATES: The application was filed on July 25, 1995 and was amended on September 27, 1995. Applicants have agreed to file an amendment during the notice period, the substance of which is included in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on December 19, 1995, and should be accompanied by proof of service on applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 680 Swedesford Road, Wayne, Pennsylvania 19087-1658.

FOR FURTHER INFORMATION CONTACT: Marianne H. Khawly, Staff Attorney, at (202) 942-0562, or Robert A. Robertson, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. The Trust is organized as a Massachusetts business trust and is registered as an open-end management investment company under the Act. Currently, the Trust consists of eight portfolios (each a "Portfolio"): Balanced Income Fund; Conservative Balanced Fund; Moderate Balanced Fund; Aggressive Balanced Fund; U.S. Equity Fund; International Equity Fund; Global Fixed Income Fund; and Global Equity Fund. Portfolio shares will be primarily offered to long-term investors such as: employee benefit plans qualified under the Internal Revenue Code; non-qualified plans, including section 403(b) and section 457 plans under the Internal Revenue Code; and individual retirement account participants. Portfolio shares may be subject to sales charges, including front-end and deferred sales charges, redemption fees, service fees, and rule 12b-1 fees under the Act.

2. The Underlying Funds are open-end management investment companies registered under the Act. Each Underlying Fund has one or more portfolios (each an "Underlying Portfolio") with different investment objectives and policies. Underlying Portfolio shares may be subject to sales charges, including front-end and deferred sales charges, redemption fees, service fees, and rule 12b-1 fees under the Act. Applicants request that any relief granted pursuant to this application also apply to any open-end management investment company that currently or in the future is part of the same SEI "group of investment companies," as defined in rule 11a-3 under the Act (collectively, the "SEI Funds").¹ Applicants also request that any such relief apply to any other "group of investment companies" where SEI is the distributor (collectively, the "Non-SEI Funds").²

¹ Rule 11a-3 under the Act defines the "same group of investment companies" as two or more companies that: (a) hold themselves out to investors as related companies for purposes of investment and investor services; and (b) that have a common investment adviser or principal underwriter.

² Although certain existing registered investment companies, or portfolios thereof, that are SEI Funds or Non-SEI Funds do not presently intend to rely on the requested order, any such registered investment company, or portfolios thereof, would be covered by the order if they later proposed to enter into a fund of funds arrangement in accordance with the terms described in the application.

⁸ 17 CFR 200.30-3(a)(12) (1994).

3. SEI Management is registered as an investment adviser under the Investment Advisers Act of 1940. SEI Management provides the SEI Funds with overall management services and serves as investment adviser to each Portfolio and investment adviser or distributor to each Underlying Portfolio. SEI Financial is registered as a broker/dealer under the Securities Exchange Act of 1934. SEI Financial serves as distributor for the SEI Funds and Non-SEI Funds.

4. Applicants propose a fund of funds arrangement where each Portfolio will invest in shares of Underlying Portfolios that are part of the same group of investment companies. Each Portfolio initially proposes to allocate its assets among one or more Underlying Portfolios representing the following asset classes: Cash; fixed income; domestic equity; and international equity. Within each asset class, each Portfolio initially will allocate its assets among the Underlying Portfolios in accordance with predetermined percentage ranges. In addition, funds of funds of the Non-SEI Funds ("Non-SEI Funds of Funds") will invest in shares of underlying Non-SEI Funds ("Underlying Non-SEI Funds") that are part of the same group of investment companies.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of any other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 6(c) of the Act provides that the SEC may exempt persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants request an order permitting the Portfolios to acquire shares of the Underlying Portfolios

beyond the section 12(d)(1) limits. Applicants also request an order permitting the Non-SEI Funds of Funds to acquire shares of the Underlying Non-SEI Funds beyond the section 12(d)(1) limits.

3. The restrictions in section 12(d)(1) were intended to prevent certain abuses perceived to be associated with the pyramiding of investment companies, including: (a) Unnecessary duplication of costs, e.g. sales loads, advisory fees, and administrative costs; (b) a lack of appropriate diversification; (c) undue influence by the fund holding company over its underlying funds; (d) the threat of large scale redemptions of the securities of the underlying investment companies; and (e) unnecessary complexity. For the following reasons, applicants believe that the proposed arrangement will not create these dangers and, therefore, that the requested relief is appropriate.

4. First, the proposed arrangement will not raise the fee layering concerns contemplated by section 12(d)(1) of the Act. The proposed arrangement will not involve the layering of advisory fees since SEI Management will not initially charge an advisory fee for serving as investment adviser to the Portfolios. Before approving any advisory contract under section 15(a) of the Act, the board of trustees of the Trust or the board of trustees or directors of the Non-SEI Fund of Funds, including a majority of the trustees or directors who are not "interested persons," as defined in section 2(a)(19) of the Act, will find that the advisory fees charged under the contract are based on services provided that are in addition to, rather than duplicative of, services provided under any Underlying Fund or Underlying Non-SEI Fund advisory contract. In addition, the proposed structure will not involve layering of sales charges. Any sales charges or service fees relating to the shares of a Portfolio or Non-SEI Fund of Funds will not exceed the limits set forth in Article III, section 26 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD") when aggregated with any sales charges or service fees that the Portfolio or Non-SEI Fund of Funds pays relating to Underlying Portfolio or Underlying Non-SEI Fund shares. The aggregate sales charges at both levels, therefore, will not exceed the limit that otherwise lawfully could be charged at any single level. Furthermore, the proposed arrangement will not involve the unnecessary duplication of administrative and other fees. Applicants expect that these expenses will be reduced at both levels under the proposed arrangement.

5. Second, the proposed arrangement will not raise improper diversification concerns. Each Portfolio and Non-SEI Fund of Funds will pursue a different investment strategy by investing in Underlying Portfolios and Underlying Non-SEI Funds that also pursue distinct investment strategies. Third, the proposed arrangement will be structured to minimize undue influence concerns. The Portfolios only will acquire shares of Underlying portfolios that are SEI Funds. Because SEI Management is investment adviser to the Underlying Portfolios as well as to the Trust, a redemption from one Underlying Portfolio will simply lead to the investment of the proceeds in another Underlying Portfolio. Applicants believe that the same will be true in the case of the Non-SEI Funds of Funds since they will invest in Underlying Non-SEI Funds that are part of the same "group of investment companies."

6. Fourth, the proposed arrangement will be structured to minimize large scale redemption concerns. The Portfolios and Non-SEI Funds of Funds will be designed for persons investing for retirement and other long term investment purposes. This will reduce the possibility of the Portfolios and Non-SEI Funds of Funds from being used as short-term investment vehicles and further protect the Portfolios and the Non-SEI Funds of Funds and their respective Underlying Portfolios and the Underlying Non-SEI Funds from unexpected large redemptions. Fifth, the proposed arrangement will not be unnecessarily complex. No Underlying Portfolio or Underlying Non-SEI Fund will acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

7. Section 17(a) makes it unlawful for an affiliated person of a registered investment company to sell securities to, or purchase securities from, the company. The Trust and the Underlying SEI Funds may be considered affiliated persons because they share common officers and/or directors/trustees. Similar arguments may be made in the case of the Non-SEI Funds of Funds and the Underlying Non-SEI Funds. An Underlying SEI Fund's issuance of its shares to the Trust may be considered a sale prohibited by section 17(a). In addition, the sale by the Underlying Non-SEI Funds of their shares to the Non-SEI Funds of Funds could be deemed principal transactions subject to section 17(a) of the Act.

8. Section 17(b) provides that the SEC shall exempt a proposed transaction from section 17(a) if evidence

establishes that: (a) the terms of the proposed transaction are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general provisions of the Act. Applicants request an exemption under sections 6(c) and 17(b) to allow the above transactions.

9. Applicants believe that the proposed transactions meet the standards of sections 6(c) and 17(b). The consideration paid for the sale and redemption of shares of Underlying Portfolios and Underlying Non-SEI Funds will be based on the net asset value of the Underlying Portfolios and Underlying Non-SEI Funds, respectively, subject to applicable sales charges. The Trust and Non-SEI Funds of Funds' purchase and sale of shares of the Underlying Portfolios and Underlying Non-SEI Funds is consistent with the Trust and Non-SEI Funds of Funds' policy, as set forth in their registration statements. Applicants also believe that the proposed transactions are consistent with the general purposes of the Act.

10. Section 17(d) prohibits an affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, from effecting any transaction in which such investment company is a joint, or joint and several, participant with such person in contravention of SEC rules and regulations. Rule 17d-1 provides that an affiliated person of a registered investment company or an affiliated person of such person, acting as principal, shall not participate in, or effect any transaction in connection with, any joint enterprise or other joint arrangement in which the registered investment company is a participant unless the SEC has issued an order approving the arrangement. Applicants assert that the proposed arrangement is intended to provide substantial benefits for both the Portfolios and the Non-SEI Funds of Funds and their respective Underlying Portfolios and Underlying Non-SEI Funds, including increased diversification, more efficient portfolios management, a larger asset base, and reduced expenses. Therefore, for the reasons discussed above, applicants believe that the proposed arrangement is consistent with the provisions, policies, and purposes of the Act. Furthermore, the Portfolios and Non-SEI Funds of Funds and their respective Underlying Portfolios and Underlying Non-SEI Funds will not participate in the proposed arrangement on a basis that is different from or less advantageous than

the participants that are not investment companies.

Applicants' Conditions

Applicants agree that the order granting the requested relief shall be subject to the following conditions:

1. Each Portfolio and each Underlying Portfolio will be part of the "same group of investment companies," as defined in rule 11a-3 under the Act. In addition, each Non-SEI Fund of Funds and each Underlying Non-SEI Fund will be part of the same "group of investment companies."

2. No Underlying Portfolio or Underlying Non-SEI Fund will acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

3. A majority of the trustees of the Trust and a majority of the trustees or directors of each Non-SEI Fund of Funds, will not be "interested persons," as defined in section 2(a)(19) of the Act.

4. Any sales charges or service fees charged to the shares of a Portfolio or Non-SEI Fund of Funds, when aggregated with any sales charges or service fees paid by the Portfolio or Non-SEI Fund of Funds relating to the securities of the respective Underlying Portfolio or Underlying Non-SEI Fund, shall not exceed the limits set forth in Article III, section 26, of the NASD's Rules of Fair Practice.

5. Before approving any advisory contract under section 15 of the Act, the board of trustees of the Trust and the board of trustees or directors of the Non-SEI Fund of Funds, including a majority of the trustees or directors who are not "interested persons," as defined in section 2(a)(19), will find that advisory fees charged under the contract are based on services provided that are in addition to, rather than duplicative of, services provided under any Underlying Fund or Underlying Non-SEI Fund advisory contract. The finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the Trust or Non-SEI Fund of Funds.

6. Applicants agree to provide the following information, in electronic format, to the Chief Financial Analyst of the SEC's Division of Investment Management: monthly average total assets of each Portfolio and Non-SEI Fund of Funds and each respective Underlying Portfolio and Underlying Non-SEI Fund of Funds; monthly purchases and redemptions (other than by exchange) for each Portfolio and Non-SEI Fund of Funds and each respective Underlying Portfolio and Underlying Non-SEI Fund; monthly

exchanges into and out of each Portfolio and Non-SEI Fund of Funds and each respective Underlying Portfolio and Underlying Non-SEI Fund; month-end allocations of each Portfolio's assets among the Underlying Portfolios and of the assets of each Non-SEI Fund of Funds among its Underlying Non-SEI Funds; annual expense ratios for each Portfolio and each Non-SEI Fund of Funds and each respective Underlying Portfolio and Underlying Non-SEI Fund; and a description of any vote taken by the shareholders of any Underlying Portfolio and any Underlying Non-SEI Fund, including a statement of the percentage of votes cast for and against the proposal by the Portfolio and the Non-SEI Fund of Funds and by the other shareholders of the Underlying Portfolio and Underlying Non-SEI Fund. Such information will be provided as soon as reasonably practicable following each fiscal year-end of the Trust and each Non-SEI Fund of Funds (unless the Chief Financial Analyst shall notify applicants in writing that such information need no longer be submitted).

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-29111 Filed 11-28-95; 8:45 am]

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[Investment Company Act Release No. 21537; 812-9738]

Smith Barney Inc., et al.; Notice of Application

November 21, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Smith Barney Inc. ("Smith Barney"); Smith Barney Mutual Funds Management Inc. ("SBMFM"); Smith Barney Strategy Advisers Inc. ("Strategy Advisers"); and Smith Barney Cardinal Investment Fund Inc. ("Cardinal"), Smith Barney Aggressive Growth Fund Inc., Smith Barney Appreciation Fund Inc., Smith Barney Equity Funds, Smith Barney Fundamental Value Fund Inc., Smith Barney Funds, Inc., Smith Barney Income Funds, Smith Barney Investment Funds, Inc., Smith Barney Managed Governments Fund Inc., Smith Barney Money Funds, Inc., Smith Barney World Funds, Inc., and each open-end management investment company, or series thereof, that is or